DFS Furniture plc

SEPTEMBER 2022

dfs dwell sofology THE SOFA DELIVERY CO

Introducing DFS

Company overview and market context

Company Snapshot

1969
Company Founded

5,800
colleagues

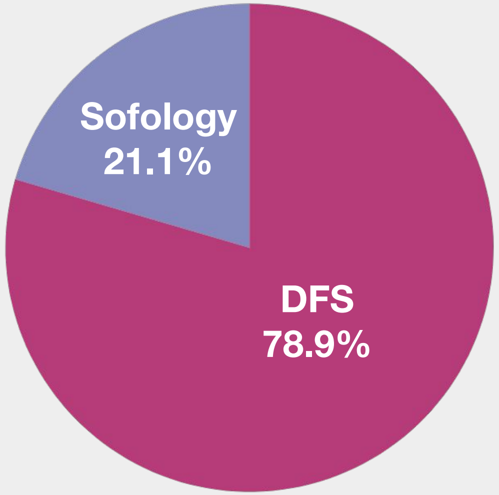
Excluding Sodelco,
Male **56.5%**; Female = **43.5%**

A balanced team/workforce across age & tenure

Best Companies Index Retail Sector: **Sofology #2; DFS #7**

>1000 colleagues participating in SAYE scheme

FY22 Revenues



+20.1% Revenue Growth vs FY19

+3% market share increase vs FY19

+14.6% uPBTA Growth vs FY19

>£75m capital returns over CY22

Our exclusive brand partners & ranges

HALOLUXE

A collection aimed to make the ordinary extraordinary and the everyday more desirable.

Joules

A contemporary British brand brought to life as a range of gorgeous sofas.

COUNTRY LIVING

Timeless design and luxurious comfort for anyone whose heart is firmly in the country.

HouseBeautiful

Sophisticated style meets superb comfort in this versatile range, crafted for modern family living.

FRENCH CONNECTION

Streamlined and sleek the perfect choice for a contemporary, urban look.

PLATINUM

Make a statement with a sofa. Make it feel effortless, indulgent even.

dfsVEGAN

A game changer. A range of sofas that are 100% animal free.

swoon

A leading voice in the next wave of furniture design.

GRANDDESIGNS

Sofas made from recycled plastics and sustainable materials

Good Housekeeping

Combining comfort with contemporary looks and clever storage plus, the latest technology.

BOXIT

A stylish sofa delivered in a box. Perfect for small spaces - easy self assembly.

storeaway

A new range of luxury, modular corner sofas with hidden functions and technology.

Sofables

The new seating range you can rearrange, for every occasion.

dwell

Specialising in stylish contemporary furniture and home accessories.

THE CHAIR EDIT.

A stunning range to give any space the wow factor.

ICONICA

Beautifully handcrafted designer furniture, this sleek ultra-modern collection redefines

So Simple...

Sofa-shopping made super-easy. Three simple steps. Choose your style, size and colour.

GEORGE CLARKE at sofology

Great design inspiration from George Clarke

PALOMA HOME at sofology

Innovative new collection & collaboration

THE SUSTAINABLE EDIT

A collection focusing on sustainability

INTRODUCING DFS

CMD March 2022

OUR VISION

> To lead **furniture** retailing in the digital age

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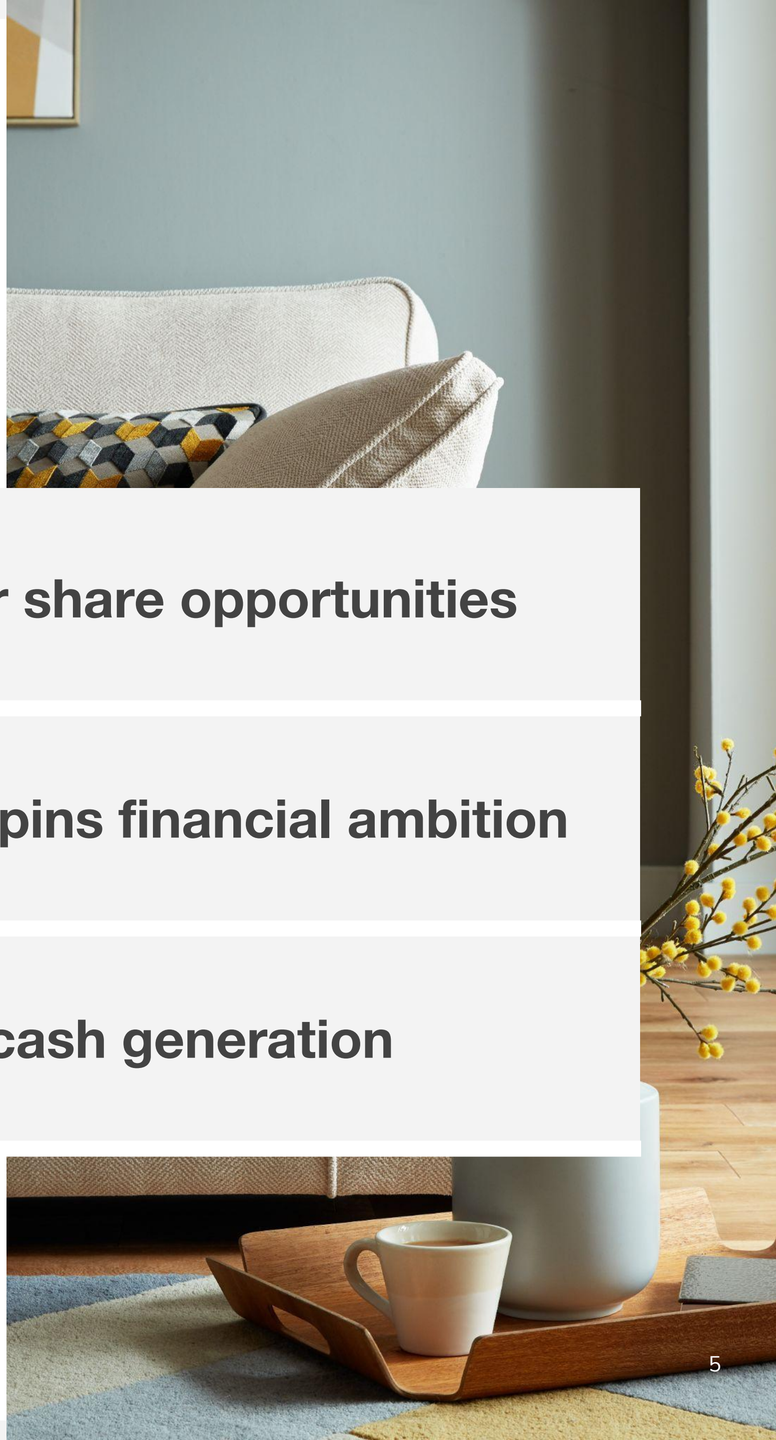
A Strong, Robust Sector Leader

Short-term sector share opportunities

Long-term, underpins financial ambition

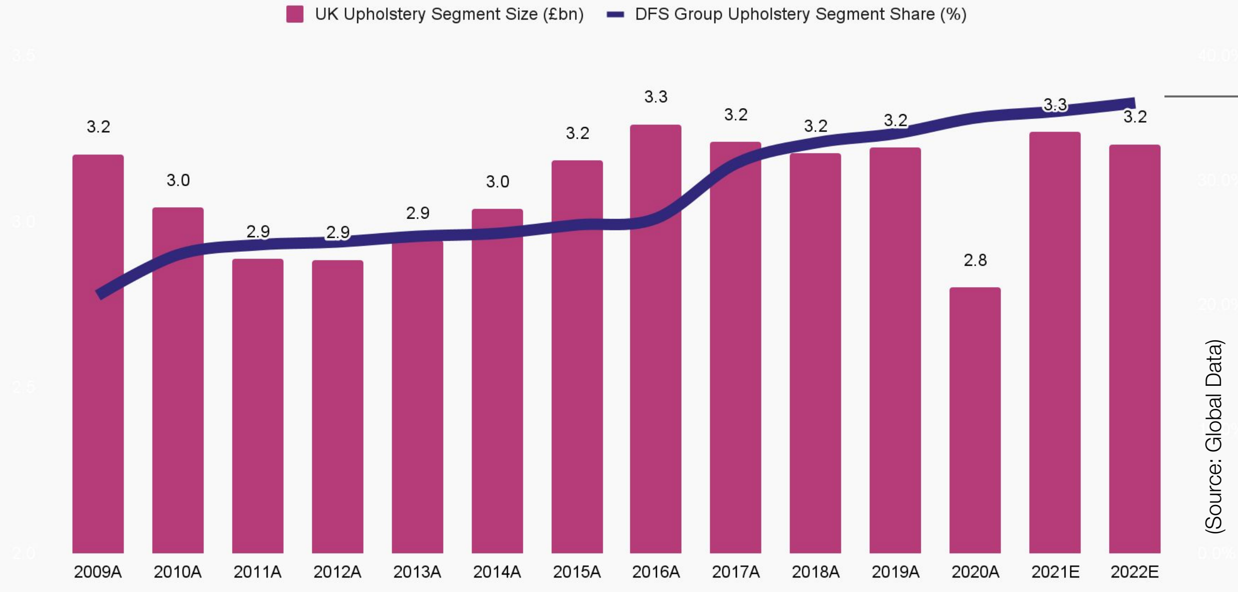
On-going strong cash generation



Historically, DFS Gains Share in Tough Environments

DFS Group Upholstery Sector Share (%)

(& UK upholstery segment size £bn)



Exit: COURTS, Land of Leather

Acquired: sofology

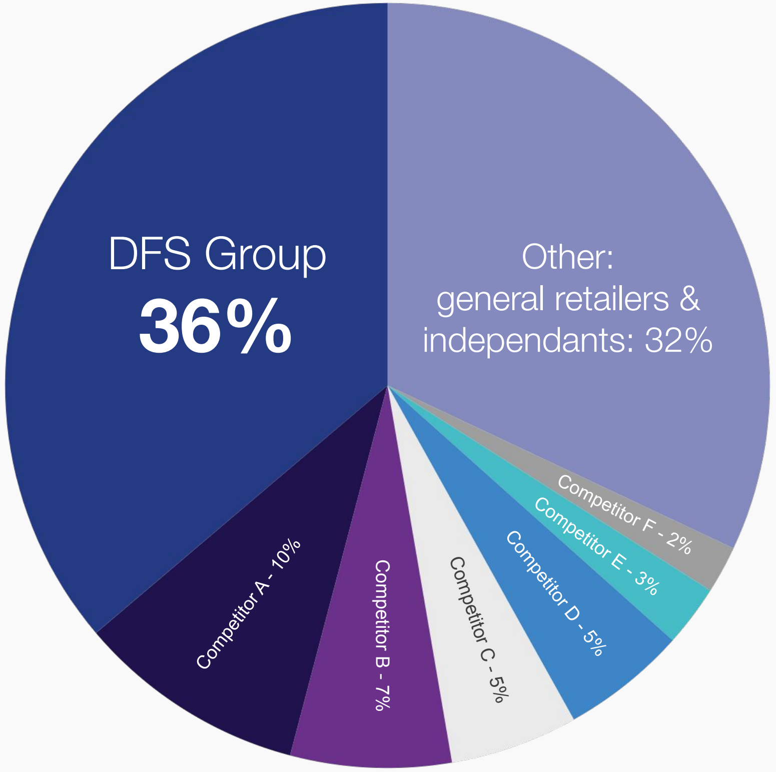
Exit: ABB

Exit: HARVEYS

Exit: 100+ Independents 2019-2021

2022 Sector Share:

Fragmented sector; on-going exits present further share gain opportunities



Strategy Update

Introducing our Pillars & Platforms Strategy

DFS STRATEGY UPDATE

CMD March 2022

OUR VISION

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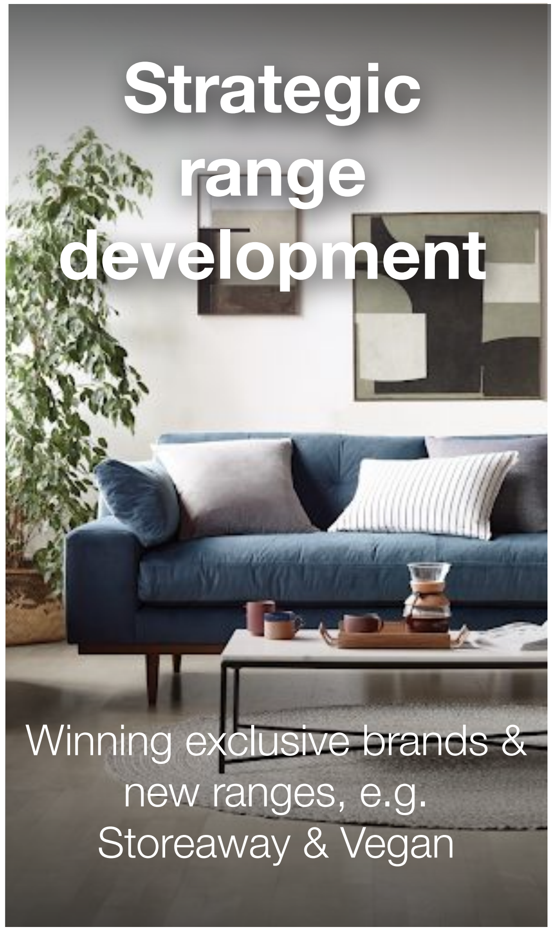
DFS Highlights:
Strong on-going performance

New brand marketing

Resulting in positive shift in Brand Connection Score: +8% (Hall & Partners)

Strategic range development

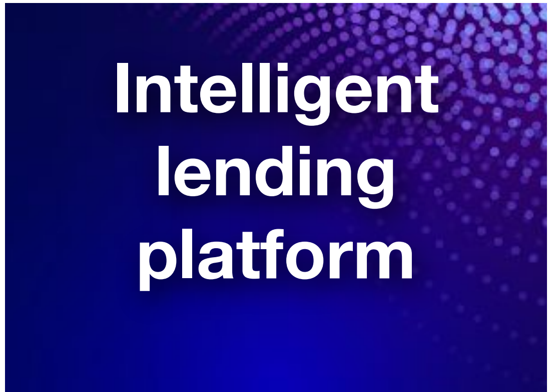


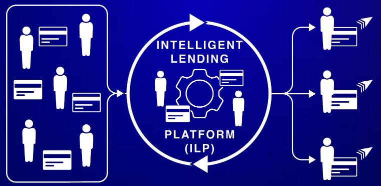
Winning exclusive brands & new ranges, e.g. Storeaway & Vegan

Ongoing investment in format

Transformation roll out across 47 stores. 5%↑ LFL sales; payback <24mths

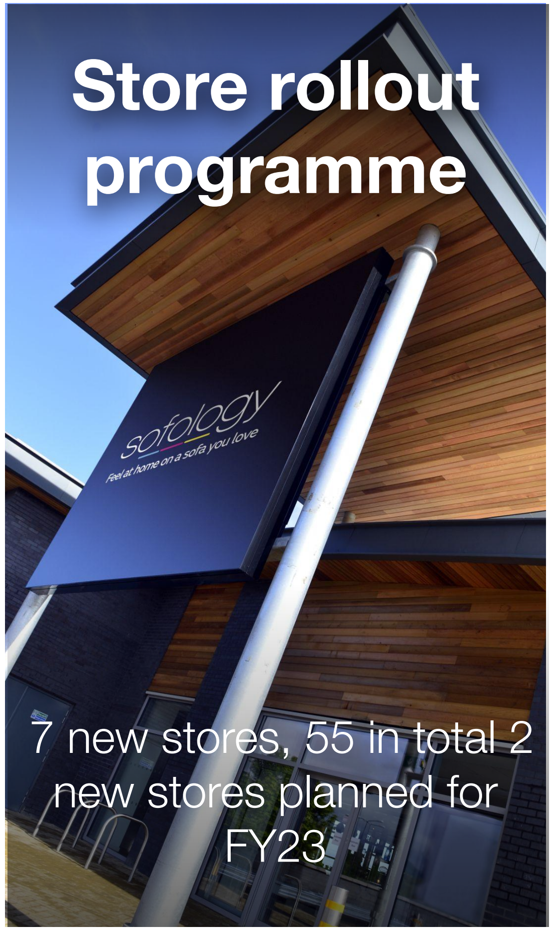
Intelligent lending platform





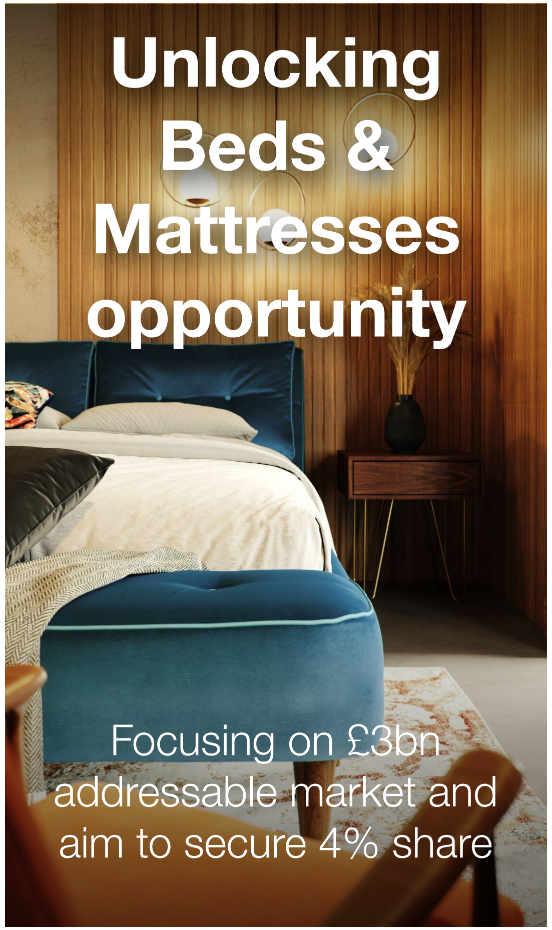
New features (e.g. soft search) + reduces transaction time by c.15 minutes

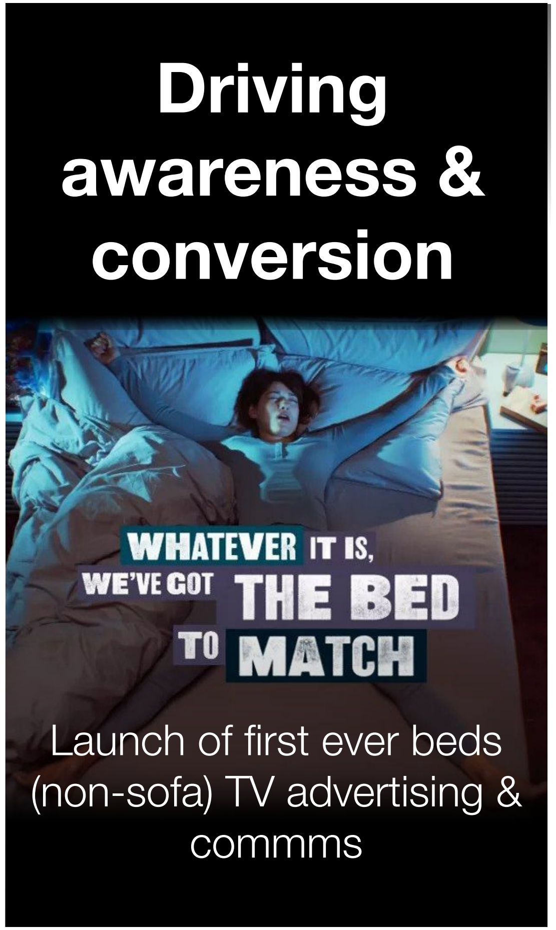
Sofology Highlights:
Continued growth & development

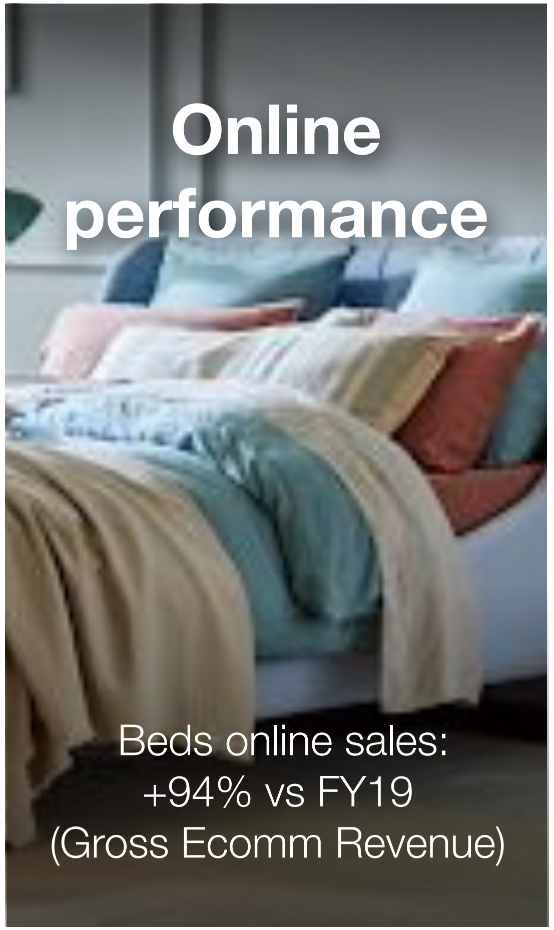


Home Highlights:

Sustained investment in building the foundations







Platform Highlights

1. Sourcing & Manufacturing

Commenced refurbishment of Doncaster site. Focus on optimising mix of Europe & Asia to support UK manufacturing

2. Technology & Data

Launch IRIS (integrating 35+ data sources, providing 360 degree view across Group); ILP rollout; Workforce optimisation

3. Logistics

Despite challenging year, implemented 2 super warehouses & 2 super Hubs; new '4On/4Off' shift programme

4. People & Culture

Integrated Group Teams in Finance, HR & Technology
Underpinned with new EVP to help drive retention

ESG Highlights

First year of reporting under the TCFD reporting requirements
Positive progress made in the year, including:

E: 4-year Carbon Footprint model

Leveraging extensive primary data to enable broad/deep planning & decision making, incl S1 & 2 external assurance

S: Inclusion & Wellbeing programmes

Launched and expanded Inclusion and Wellbeing initiatives across the Group

G: Established board-level RSC

To ensure clear governance and to continue to help review progress on all fronts

Financial Results & Outlook

Full-Year Results Overview

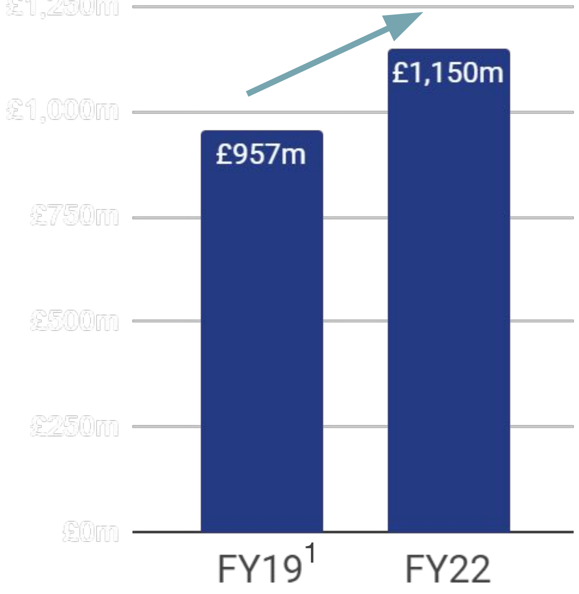
(£m) unless stated	**FY 2022** LTM to 26-Jun-22[1]	**FY 2021** LTM to 27-Jun-21[1]	**FY 2019** LTM to 30-Jun-19[2]
Revenue - Continuing operations [3]	1,149.8	1,055.1	957.4[4]
Growth vs FY19	*+20.1%*	*+10.2%*	*n/a*
Reported PBT - Continuing operations	58.5	102.6	46.0[4]
Underlying PBTA	60.3	109.2	52.6[4]
Growth vs FY19	*+14.6%*	*+107.6%*	*n/a*
Underlying EPS	17.5p	37.3p	19.3p[4]
Reported net bank debt	90.0	19.0	176.3
Leverage	*1.1x*	*0.2x*	*2.0x*[5]

[1] FY22 and FY21 are continuing operations only
[2] FY19 is the pro forma unaudited 52 week period presented on an IAS17 basis, FY21 and FY22 presented on an IFRS16 basis.
[3] FY21 and FY19 excludes Sofa Workshop, disposed of by the Group in September 2020.
[4] FY19 figure excludes the discontinued Netherlands and Spain businesses to be consistent with FY21 and FY22.
[5] FY19 Leverage on an IAS17 basis

Delivering on our Financial Principles

1. Revenue Growth

6%
CAGR

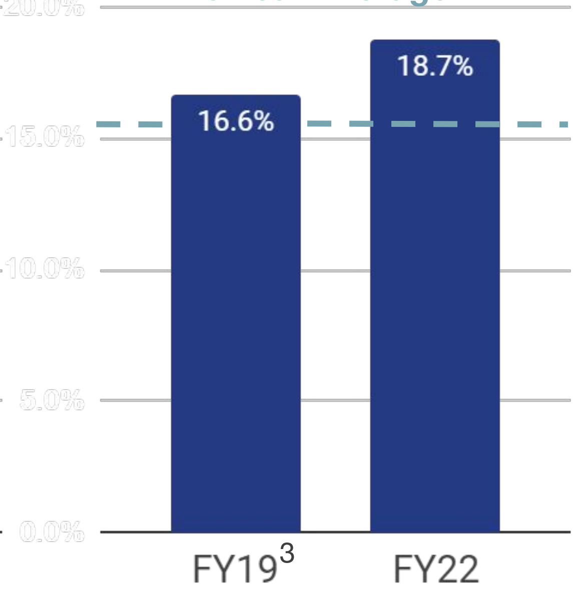


2. Growing Profit Base

5%
CAGR

3. High-teens ROCE

15.4%
5 Year Average



4. Return of Capital

£10m
Buyback extension

3.7p
Final dividend

[1] FY19 Revenue excludes discontinued operations and Sofa Workshop
[2] FY19 Profit excludes discontinued operations
[3] FY19 ROCE calculation prepared on pre-IFRS16, lease adjusted basis, on the unaudited pro-forma 52 week period

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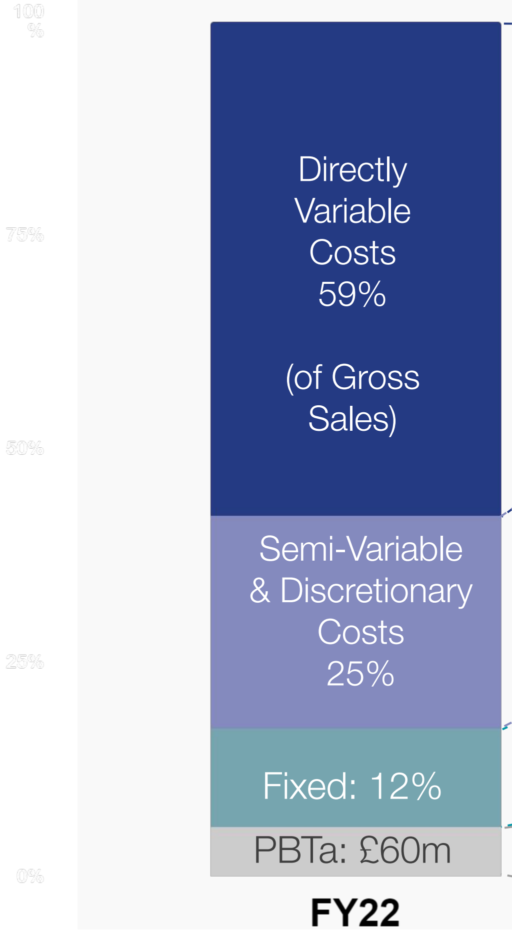
Our Variable and Controllable Cost Base

Ability to influence our cost base as the environment changes



Cost of Sales - 59% of Gross Sales
- Primarily product costs, but also VAT, far-east freight and interest free subsidy costs
- £13.7m one-off costs in FY22 relating to disruption and compensation costs
- Increased freight rates seen in CY22 expected to normalise over time
- Finished goods costs will move in line with revenues; US$ FX impact 1¢ = £1m
- Finance subsidy costs affected by interest rates; 1% increase is c. £10m of costs

Semi-Variable & Discretionary Costs (inc. People) - 25% of Gross Sales
- £14.9m from Covid disruption, mostly seen in delivery costs by using 3rd party agencies
- Marketing is controllable, however TV is booked c.2 months ahead
- People and other opex have variable elements
- Energy bought forward through FY23

Fixed Costs (inc. Depreciation and Interest) - 12% of Gross Sales
- Rent is fixed; £1m+ annual opportunities for regears
- Medium-term process efficiencies being driven by platform approach supporting brands

Profit Before Tax & Brand Amortisation
- Sector-leading margins providing resilience

FY23 Full Year Outlook Scenarios

Profit expectations influenced by sector volume decline

	LOW	MEDIUM	HIGH
LFL SECTOR VOLUME (vs. FY19)	-15%	-10%	-5%
DFS REVENUE GROWTH (vs. FY19)	c. 10%	c. 16%	c. 23%
DFS REVENUES	c.£1,060m	c.£1,120m	c.£1,175m
PBT	c.£20m	c.£36m	c.£54m

Current trading:

- Too short a period to extrapolate
- September towards high-end as some Q1 consumer demand constraints lessen in the autumn
- July/August trading is near the low case

DFS Revenue Outperformance From:

- £30m higher opening order bank
- 3% sector share gain vs. FY19
- 14 new DFS & Sofology showrooms
- Double-digit percentage AOV growth

Long-term Ambition Remains

Growing Revenues

£1.4bn

FY26/FY27 Target

Household Growth

Share Gain

Home Sales

5% Compound Annual Growth Over the Long-Term Cycle

£1.15bn

FY22 Actuals

Growing Margins

8%+

Medium-Term PBTa Margin

Efficient

Platforms

c.7%

Historical uPBTa Margin

Growing Free Cash

Well-Underpinned 75%+ Post-Tax Free Cash Conversion

Negative Working Capital

Disciplined Investment

Low Leverage and UK Tax

Thank you